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## **Summary:** **Idaho; Note**

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## **Table Of Contents**

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Rationale

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### Credit Profile

US\$600. mil TANs ser 2008 due 06/30/2009

Short Term Rating

SP-1+

New

### Rationale

Standard & Poor's Ratings Services assigned its 'SP-1+' short-term rating to Idaho's \$600 million tax anticipation notes (TANs), series 2008.

The rating reflects:

- Healthy projected coverage of note repayment from pledged revenues and other available resources;
- Sound, conservative financial management; and
- Strong general creditworthiness ('AA' issuer credit rating).

The notes are secured by the pledge of all tax revenues received by the state in the fourth quarter of fiscal 2009. In addition, the state's full faith and credit is pledged to note repayment, including the use of other internal-cash borrowing resources, if required.

The state annually issues TANs to alleviate cash-flow deficiencies. TAN borrowing has increased during the past two years, to \$600 million for fiscal 2009 and \$400 million in fiscal 2008, due primarily to a legislative change enacted in 2007 that accelerated the state's disbursements to public schools. The \$600 million amounts to 21% of total anticipated receipts in fiscal 2009, up from 14% of total receipts, in fiscal 2008.

The state projects coverage of 1.7x on the series 2008 notes, based on revenue received in the fourth quarter of fiscal 2009. Fiscal 2009 ending cash coverage, based on the currently projected cash balance of \$54.6 million, is projected at a lower, although still adequate, 1.09x. This is lower than the ending cash coverage for the series 2007 notes, maturing June 30, 2008, of 1.46x. Fiscal 2009 cash-flow projections are based on the state's February 2008 economic and revenue forecast, as well as legislative adjustments to the 2009 budget in response to the state economist's anticipation of slowed revenue growth in the February 2008 report. The February report also revised downward growth in anticipated receipts for fiscal 2008 to 1.8%, down from the 3.5% originally projected. Growth of 2.8% is anticipated for fiscal 2009, including essentially flat individual income tax growth for the year (after record years that exceeded 10% annually in fiscals 2005, 2006, and 2007) and 4.9% growth in sales taxes, down from growth of 8.2% in fiscal 2008.

In addition to its general fund resources, the state projects an additional \$2.4 billion of borrowable resources held in various funds, with the bulk of them held in a local government investment pool ('AAA' Standard & Poor's investment fund rating). The state treasurer is legally permitted to lend these additional borrowable resources to the general fund to make up any deficiency at note maturity. These balances include a variety of funds, including: \$1.2 billion (the largest source) in a Joint Powers Fund, invested by the state on behalf of itself and other jurisdictions as well a budget reserve (\$209 million and the Idaho Millennium Fund (\$150 million), both are additional general fund

reserves but are not included in the general fund cash flows. The additional borrowable resources would increase cash coverage on the 2008 TRANs at maturity to a strong 5.1x.

Historically, the state has set aside revenues in the note payment account during the third and fourth quarters, as soon as excess funds become available. In fiscal 2008, by May 7, 2008, the state had set aside sufficient funds to pay the series 2007 notes at maturity on June 30, 2008, and plans to set aside funds prior to the fourth quarter for the 2009 TANs as well. Funds in the note repayment account will be invested in direct obligations of the federal government and in certain fully-collateralized time certificates of deposit or fully-collateralized repurchase agreements. All investments will mature no later than June 30, 2009, which is the maturity date of the series 2008 TANs.

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